

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-12  
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00  
EB-08 COME-00 OMB-01 /074 W  
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R 172131Z NOV 77  
FM USMISSION USNATO  
TO SECSTATE WASHDC 7502  
SECDEF WASHDC  
INFO USCINCEUR VAIHINGEN GER  
USNMR SHAPE BE

C O N F I D E N T I A L SECTION 01 OF 02 USNATO 11504

E.O. 11652: GDS  
TAGS: MARR NATO  
SUBJECT: INFRASTRUCTURE SLICE GROUP XXXI - XXXV (1980 -  
1984)

REFS: (A) STATE 271944, 122113Z NOV 77, (B) USNATO 11146,  
101200Z NOV 77  
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1. IN MEETING OF 15 NOV 77, THE INFRASTRUCTURE COMMITTEE  
REVISED AND CLEARED THE REPORT TO DPC MINISTERS ON THE  
ADDITIONAL FUNDING FOR SLICES XXVI-XXX AND NEGOTIATION OF  
SLICE GROUP XXXI - XXXV (DRAFT TRANSMITTED REF B AND  
APPROVED REF A).

2. ASIDE FROM CONSOLIDATION OF SECTION B (OLD PARAS  
4, 5, 6) INTO ONE PARAGRAPH, MOST OF THE CHANGES WERE  
MADE IN SECTION C DEALING WITH INFRASTRUCTURE COMMITTEE  
CONSIDERATION OF THE NEXT SLICE GROUP. WE QUOTE HERE  
THE NEW TEXT OF SECTION C AS CLEARED:

BEGIN TEXT:  
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6. THE INFRASTRUCTURE COMMITTEE HAS BEGUN ACTIVE  
CONSIDERATION OF THE NEXT FIVE-YEAR SLICE GROUP (SLICES  
XXXI - XXXV).

7. IT WISHES FIRST TO RECALL THAT THE MINISTERIAL

GUIDANCE 1977, WHICH COVERS THE PLANNING PERIOD UP TO 1984, INCLUDING THE PERIOD OF THE NEXT FIVE-YEAR INFRASTRUCTURE PROGRAM (1980-1984), STRESSES THE NEED FOR ADDITIONAL INFRASTRUCTURE FACILITIES AND CALLS FOR GREATER BACKING FOR THE PROGRAM.

8. THE MILITARY AUTHORITIES HAVE STATED THAT THE INADEQUATE FUNDING FOR THE ORIGINAL CEILING FOR SLICE GROUP XXVI-XXX AND THE REDUCTION IN THE REQUEST FOR THE ADD-ON PACKAGE HAVE RESULTED IN A SUBSTANTIAL BACKLOG OF PRIORITY PROJECTS. FURTHERMORE, INFLATIONARY PRESSURES WILL NO DOUBT CONSIDERABLY INCREASE THE COST OF THE NEXT SLICE GROUP. IT CAN THEREFORE BE ANTICIPATED THAT THE MILITARY REQUEST WILL BE SUBSTANTIALLY LARGER THAN THE IAU 540 MILLION MADE AVAILABLE FOR THE CURRENT SLICE GROUP.

9. IN AGREEING TO MAINTAIN, FOR THE ADDITIONAL FUNDING 1975-1979, THE PRESENT COST SHARING FORMULA WITH THE INCLUSION OF THE US SPECIAL PROGRAM, SEVERAL NATIONS STATED THAT THEY WOULD INSIST ON A REVISION OF THE FORMULA FOR THE NEXT SLICE GROUP. THE INFRASTRUCTURE COMMITTEE HAS ALREADY BEGUN CONSIDERATION OF THIS PROBLEM.

10. INCREASED COSTS DUE TO INFLATION HAVE BEEN A SERIOUS PROBLEM IN THE PRESENT SLICE GROUP AND THREATEN TO CAUSE SUBSTANTIAL LOSS IN THE REAL PROGRAM VALUE OF THE NEXT SLICE GROUP. THE COMMITTEE FEELS THAT POSITIVE STEPS  
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HAVE TO BE TAKEN TO DEAL WITH THE EFFECTS OF THE PRESENT INFLATIONARY TREND. IT IS AT PRESENT CONSIDERING AN AUTOMATIC ADJUSTMENT PROCEDURE SIMILAR TO THAT USED IN THE DANISH DEFENSE BUDGET TO SEE IF THIS OFFERS AN ADEQUATE APPROACH TO THE PROBLEM. THIS PROCEDURE WOULD BE LINKED TO ESTABLISHED INFLATION FACTORS. ANOTHER AVENUE MAY BE THE DEVELOPMENT OF AN ESTIMATE OF EXPECTED INFLATION RATES WHICH WOULD THEN BE APPLIED TO THE BASIC MILITARY REQUIREMENT IN DETERMINING THE NEXT FIVE-YEAR CEILING.

11. STUDY IS BEING GIVEN TO STEPS WHICH MIGHT BE TAKEN TO ACCELERATE THE ENTIRE PROGRAMMING AND IMPLEMENTING CYCLE. SUCH WOULD PROVIDE FOR EARLIER AVAILABILITY OF VITAL FACILITIES AND ALSO REDUCE THE INFLATIONARY COSTS.

END TEXT.

3. WE DRAW YOUR ATTENTION TO THREE POINTS IN SECTION C:

(A) PARAGRAPHS HAVE BEEN REORDERED TO BRING 1977 MINISTERIAL GUIDANCE AND VIEWS OF THE NATO MILITARY

AUTHORITIES TO THE FRONT OF THE SECTION.

(B) AFTER EXTENSIVE DISCUSSION OF A DUTCH PROPOSAL TO DELETE PARAGRAPH 9, THE COMMITTEE DECIDED TO LEAVE THE PARAGRAPH UNCHANGED, DUE MAINLY TO FRG INSISTENCE THAT IT REPRESENTED FOR THEM THE MINIMUM REFERENCE (NEGATIVE) TO THE US SPECIAL PROGRAM. US REP (CAMPBELL) REMAINED NEUTRAL SINCE THE FRG AND OTHERS HAD CLEARLY STATED THEIR VIEWS ON THE USSP DURING CONSIDERATION OF THE ADDITION TO SLICES XXVI-XXX, AND WE BELIEVE THE USSP

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C O N F I D E N T I A L SECTION 02 OF 02 USNATO 11504

ISSUE, IF UNAVOIDABLE, IS BETTER ADDRESSED LATE IN THE SLICE XXXI-XXXV NEGOTIATION.

(C) WE SUCCEEDED, WITH ACTIVE DANISH SUPPORT, IN GETTING COMMITTEE AGREEMENT TO A STRONGER PARAGRAPH (10) ON LOSSES IN REAL PROGRAM VALUE DUE TO INFLATION. WE REALIZE THAT ANY PROCEDURE WHICH WOULD ADJUST NATO MILITARY REQUIREMENTS FOR ESTIMATED INFLATION IN ADVANCE (OR RETROSPECTIVELY AS IN THE DANISH SYSTEM) WILL REQUIRE CAREFUL STUDY BY WASHINGTON AGENCIES. WE BELIEVE, HOWEVER, AS POINTED OUT IN PARA 2 OF REF B, THAT THE PROBLEM OF INFLATIONARY EROSION OF THE INFRASTRUCTURE CEILING WILL BE A KEY ELEMENT IN THE CASE FOR A POSSIBLE DOUBLING (OR EVEN TRIPLING) OF THE PRESENT IAU 540 MILLION RESOURCE LEVEL. BENNETT

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## Message Attributes

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